



# OFFICE OF THE CITY AUDITOR COLORADO SPRINGS, COLORADO

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## 20-01 Colorado Springs Utilities Ethics Policies and Practices

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### **Purpose**

The purpose of this audit was to review Colorado Springs Utilities ethics related policies and practices. Additionally, we compared the policies and practices against published criteria for evaluating ethics programs.

### **Highlights**

We conclude that overall Colorado Springs Utilities administered ethical policies and practices. We conclude that overall Colorado Springs Utilities ethics related policies and practices were effective as compared to published guidance. We noted areas of particular strength as commendable practices on page two of this report. Additionally, we identified four recommendations to strengthen administration of ethics related policies and practices. Please see pages three and four of this report for recommendation details.

Based on our assessment, the program met the criteria for a defined ethics program utilizing the maturity model in *Practice Guide—Evaluating Ethics-Related Programs and Activities* framework published by the Institute of Internal Auditors. Professional standards followed by the Office of the City Auditor (OCA) required review of the organization's ethics program.

The Institute of Internal Auditors Practice Guide (the Practice Guide) stated that *"An ethical culture is created through a robust ethics program that sets expectations for acceptable behaviors in conducting business within the organization and with external parties. It includes effective board oversight, strong tone-at-the top, senior management involvement, a customized code of conduct, timely follow up and investigation of reported incidents, consistent disciplinary action for offenders, ethics training, communications, ongoing monitoring systems, and an anonymous incident reporting system."*

We would like to thank the Colorado Springs Utilities Human Resources and Procurement departments for their cooperation and assistance with this audit.

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### **Management Response**

Management was in agreement with our recommendations. See management's responses beginning on page three of this report.

### **Recommendations**

Colorado Springs Utilities should:

1. Include in contracts compliance with the City Code of Ethics and reference to the OCA hotline. Make vendors aware of the OCA hotline.
2. Update annual ethics training to align with Personnel Policies Manual (PPM).
3. Work in partnership with OCA to increase awareness of the scope and intent of the OCA hotline. Revise PPM language to clearly identify the types of concerns that may be reported to the OCA.

Include a link to the OCA website in the PPM and on the public website.

### **Opportunity for Improvement**

1. Update the PPM to align with City Code regarding retaliation for good faith reports of ethics concerns.

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### Commendable ethics related practices noted during the audit:

Colorado Springs Utilities Personnel Policy Manual (PPM) policy 00242 provided guidance to employees regarding ethical conduct, reporting of potential ethics violations, and investigations of potential misconduct. The PPM incorporated the City Code of Ethics as the basis for ethical conduct.

The PPM 8.3.1 section included a reference to the OCA hotline for reporting concerns, in addition to the employee's supervisor, manager, Colorado Springs Utilities Human Resources, a designated official, or the City Attorney's Office.

Colorado Springs Utilities Human Resources Department was primarily responsible for administering ethics related training, conducting investigations, and coordinating investigation of any hotline reports received by the OCA.

The Colorado Springs Utilities Excellence in Governance Manual required that regular compliance reports related to Treatment of Staff (I-10) be made to the Utilities Board Personnel Committee.

Policy I-10 also required an employee climate survey be conducted at least every five years by a third party. This survey was conducted in 2019. At the time of our review, results had been provided to employees, management, and governance. Management was in the process of developing action items related to the survey.

Annual ethics training was required for all employees and contractors and was part of the organization's workforce related scorecard.

We observed a strong overall commitment on the part of senior management to open and transparent communication with employees. Some examples of this commitment included:

- CEO 'ask me anything' email and responses.
- Bi-weekly executive team meeting highlights distributed to all employees.
- Weekly insight newsletters distributed to all employees.
- Regular updates on the status of the 2019 climate survey.
- Climate survey results were released to managers and employees at the same time.

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### **Observation 1**

- Standard procurement contracts did not include a requirement to comply with the City Code of Ethics or a reference to the OCA hotline.
- Vendors were not made aware of the OCA hotline during the procurement process.

Practice Guide criteria indicated external parties should be aware of ethics requirements and understand how to report concerns.

### **Recommendation**

Colorado Springs Utilities should:

- Incorporate requirements to comply with the City Code of Ethics and reference the OCA hotline in standard contract language.
- Make vendors aware of the OCA hotline as part of the procurement process.

### **Management Response**

We agree with the recommendation. Communication related to the fraud hotline will be included in the contract solicitation process and the fraud reporting process will be referenced in all contract templates. The fraud hotline number and link to the online reporting form will be included where recommended. These changes will be implemented by May 31, 2020.

### **Observation 2**

Annual ethics training was mandatory for all employees, and was included in the organization's scorecard. Ethics training materials did not include reference to:

- Report concerns to the City Attorney's Office, a designated official or to the OCA.
- The duty to report any conduct believed in good faith to be a violation of the City Code of Ethics.

The PPM encouraged employees to work with their supervisor to report concerns. Other reporting avenues were the next level manager, the City Attorney's Office, Human Resources, or a designated official. The PPM stated employees may also report any suspected fraud and abuse to the OCA.

Ethics training should align with the PPM 8.3.1 policy document.

### **Recommendation**

Colorado Springs Utilities should include in annual ethics training:

- The duty to report any conduct the employee believes to be a violation of the City Code of Ethics
- A reference to the City Attorney's Office, a designated official or the OCA as an option to report ethics concerns

### **Management Response**

We agree with the recommendation. Colorado Springs Utilities' training department will incorporate the recommended material into the annual ethics training. Projected implementation will be completed by April 1, 2020.

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### **Observation 3**

- The PPM stated that employees should report suspected fraud or abuse to the OCA. However, fraud and abuse were not defined.

The Practice Guide criteria included awareness of the ethics program by employees and outside parties, including how to report concerns.

Revising the PPM 8.3.1 language to clearly define concerns that may be reported to the OCA would strengthen ethics program awareness. Additionally, policy would be strengthened by including a link to the OCA website as an online method to report concerns. Similarly, a link to the OCA website from Utilities public webpage would increase awareness for external parties.

Colorado Springs Utilities Human Resources expressed a desire to work in partnership with the OCA to increase awareness and understanding of the hotline. Colorado Springs Utilities has a number of communications channels in place that could be utilized.

### **Management Response**

We agree with the recommendation. Along with implementing the other recommendations resulting from this audit, Colorado Springs Utilities agrees to disseminate any communication or advertising materials the OCA provides to increase awareness of the scope and intent of the OCA hotline.

Colorado Springs Utilities will make revisions to the PPM to clearly identify the types of concerns that may be reported to the OCA. This will be implemented during the next annual PPM Promulgation and will be completed by December 31, 2020.

Colorado Springs Utilities public website (csu.org) will include a link to the OCA webpage. This will be implemented by May 31, 2020.

### **Recommendation**

Colorado Springs Utilities Human Resources and the OCA should work in partnership to increase awareness of the scope and intent of the OCA hotline.

Colorado Springs Utilities should revise the PPM to clearly identify the types of concerns that may be reported to the OCA.

Colorado Springs Utilities public website should include a link to the OCA webpage.

### **Opportunity for Improvement 1**

The PPM included statements that employees would not be subject to retaliation for example, for reporting harassment or for reporting workplace violence.

- The PPM section 8.3.1 related to reporting ethics violations did not include a statement about retaliation or include a definition of retaliation per City Code.

City Code section 1.4.107 defined retaliation as initiating or administering disciplinary action, denying promotional opportunity, or writing an adverse performance evaluation. City Code stated that employees were not protected when disclosing information they knew to be false.

Aligning policy with City Code would strengthen the message that good faith reports of concerns will not result in disciplinary actions.

### **Management Response**

We agree with the recommendation. Colorado Springs Utilities will make the recommended revisions to section 8.3 of the PPM and add retaliation and the definition from the city code to the glossary. This will be implemented during the next annual PPM Promulgation and will be completed by December 31, 2020.

### **Recommendation**

Colorado Springs Utilities should revise the PPM section 8.3.1 as follows:

- Specify that employees will not be subject to retaliation for reporting concerns
- Incorporate the definitions of retaliation per City Code 1.4.107